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PROGRAMME, THE ENVIRONMENT FUND AND ADMINISTRATIVE AND OTHER BUDGETARY MATTERS

Report on the status of implementation of the recommendations of the report of the Office of Internal Oversight Services

Report by the Executive Director

1. In September 1996, the Office of Internal Oversight Services (OIOS) conducted a review of UNEP and the administrative practices of its secretariat, including the United Nations Office at Nairobi (UNON). On 27 February 1997, the report of OIOS on the review of the United Nations Environment Programme and the administrative practices of its secretariat, including the United Nations Office at Nairobi was submitted to the General Assembly (document A/51/180). The OIOS review and recommendations covered primarily the following areas:

(a) Issues of organization and management;

(b) Programme formulation and management;

(c) Mechanisms for oversight and internal controls;

(d) Project, programme and institutional evaluation;

(e) The United Nations Office at Nairobi.

2. By its decision 19/29 A of 7 February 1997, the Governing Council requested the Executive Director to issue and implement a plan for further measures that incorporated the recommendations of the report of OIOS by the end of the 1997.

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3. On 12 April 1997 the Executive Director presented to the Secretary-General an action plan on the implementation of the OIOS recommendations. Progress reports on implementation of those recommendations have been subsequently forwarded to the Under-Secretary-General for the Office of Internal Oversight Services on a quarterly basis.

4. Progress reports on the status of implementation of the recommendations of the OIOS report were submitted to the Committee of Permanent Representatives on 15 September 1997 and 21 July 1998.

5. By its decision SS.V/1 of 22 May 1998, the Governing Council requested the Executive Director to move quickly to implement, as appropriate, the recommendations of the OIOS report and to report thereon to the Governing Council at its twentieth session.

6. The current status of implementation of the recommendations of the OIOS is presented in the attached table. Also attached are status of implementation of the recommendations of the Board of Auditors and the UN Advisory Committee on Administrative and Budgetary Questions (ACABQ) for the biennium 1994-1995.

7. A report on the status of implementation of the recommendations of the United Nations Board of Auditors on the accounts of the United Nations Environment Programme for the biennium ended 31 December 1997 is being circulated separately under the symbol UNEP/GC.20/INF/7.

Suggested action by the Governing Council

The Governing Council may wish to take note of the current status of implementation of the recommendations of the Office of Internal Oversight Services (OIOS), the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions.

Annex I

REPORT ON THE STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS
OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES
(OIOS report - A/51/810) 1/

Source and brief description of the recommendation	Action taken to implement the recommendation
Paragraph 137 The senior management of UNEP needs, as a matter of urgency, to clarify with its stakeholders its role and function following the United Nations Conference on Environment and Development.	The clarification of UNEP's role and mandate is the prerogative and responsibility of its Governing Council. Governments have defined and clarified the refocused role and mandate of UNEP by adopting the Nairobi Declaration on the Role and Mandate of UNEP at the nineteenth session of the UNEP Governing Council, which was subsequently endorsed by the General Assembly at its ninteenth special session, in June 1997.
Paragraph 138 UNEP should translate this clarified role into a clear plan of action for the next five years. The plan should contain measurable, or at least observable, goals and basic indicators of progress applicable to each programme and operational unit. Managers at all levels should then use them in managing their work.	The major elements of the plan of action were considered by the Governing Council at its fifth special session, held in Nairobi in May 1998, on the basis of the outcome of the High-level Committee of Ministers and Officials, the nineteenth special session of the General Assembly and the policy guidelines presented by the Executive Director. The introduction of results management and performance indicators for the UNEP programme of work for the biennium 1996-1997 has been extended to the 1998-1999 programme. In addition, the proposed 2000-2001 work programme is results-oriented and contains objectives, results and measurable performance indicators.

1/ The paragraph numbers in the table refer to the paragraphs in the OIOS report as submitted to the General Assembly.

Source and brief description of the recommendation	Action taken to implement the recommendation
	Managers are guided in their work by six-monthly programme implementation reports, which give an overview of programme delivery as compared to the use of resources over the same time period.
Paragraph 139 Immediate steps should be taken to translate the Programme's global role as a catalyst, coordinator and stimulator of environmental action into one single programme budget document	Budgets for conventions and trust funds, including the Global Environment Facility (GEF), are developed and approved independently and according to different schedules by their respective legislative bodies. This recommendation will therefore be implemented with their approval. A composite budget document and programme of work for the biennium 1998-1999 was presented to and approved by Governing Council at its nineteenth session. The same for the Environment Fund, including the management and administrative support costs budget and the programme of work for 2000-2001 will be presented to the Governing Council at its twentieth session in February 1999.
Paragraph 139 Simultaneously, urgent action is needed to put in place a system of programme oversight with the authority necessary to ensure the coordination and implementation of an integrated and comprehensive programme of work.	The Executive Director will present to the Governing Council at its twentieth session, the completed new structure of the organization, building upon his proposal made at the fifth special session of the Council, in May 1998. Six divisions and one branch based on functions rather than sectoral subjects will report directly to the Deputy Executive Director, who will exercise oversight and authority ensuring coordination and integration.

Source and brief description of the recommendation	Action taken to implement the recommendation
Paragraph 139 The UNEP monitoring and evaluation system should collect essential data on performance and provide feedback to managers at all levels in a timely fashion so as to provide guidance in the allocation of resources and to permit provision of incentives of good performers. The responsible units should report directly to the Executive Director.	As part of the new organizational structure, the Evaluation Unit no longer falls under planning and monitoring and now reports directly to the Executive Director. Feedback is provided to managers through the Management Board. The Programme Coordination and Management Unit, established in August 1998 as a successor to the Corporate Planning and Accountability Service monitors programme performance and submits six-monthly programme implementation reports to the management as guidance in the allocation of resources. The Unit reports directly to the Deputy Executive Director, who supervises programme delivery.
Paragraph 140 The Environmental Economics Unit needs to be strengthened.	The economics and trade subprogrammes have been fully integrated. To make the most of scarce resources, ensure critical mass of human resources and foster necessary closer collaboration with the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), the Economic Commission for Europe (ECE) and the Organisation for Economic Co-operation and Development (OECD), the Unit has been consolidated in Geneva. The proposed budget for 2000-2001 contains increased funding for the economics-and-trade programme element.
Paragraph 141 The relationship between the secretariats of the environmental conventions and UNEP should be revisited. Fulfilling its Agenda 21 mandate for coordinating the work of the secretariats may give UNEP a tool for achieving its larger goals. If that is a niche that UNEP decides to occupy, then it will need to equip itself to do so.	UNEP has established a Division of Environmental Conventions. The objectives of the Division are: 1. To promote, in cooperation with the respective governing bodies: (a) development of coherent interlinkages among international conventions and processes; and (b) prevention of fragmentation of international environmental policy-making; 2. To enhance, in cooperation with the governing bodies, the linkages among the various scientific and information-monitoring processes that underpin environmental conventions and relevant

Source and brief description of the recommendation	Action taken to implement the recommendation
	international agreements in order to provide a bridge between science and information and policy; 3. To serve as a link between UNEP and the conventions and related international processes, to facilitate and channel coordinated substantive support to environmental conventions and processes by various UNEP programme areas such as atmosphere, biodiversity, chemicals, land and water to ensure that these conventions and processes are implemented effectively in accordance with their provisions and decisions of their conference of parties.
Paragraph 142 Management should assess the organizational structure with a view to reducing its top-heaviness, ensuring greater congruence with the programme of work; delineating clearly the functions and responsibilities of each unit, ensuring that those functions are mutually supportive of each other; avoiding a too-thin distribution of resources; and reflecting clear lines of authority.	The new Executive Director presented to the Governing Council at its fifth special session in May 1998, a new organizational structure of UNEP. Six divisions and one branch based on functions rather than subject areas will report to the Executive Director through the Deputy Executive Director, who will exercise oversight and authority ensuring integration. The congruence between the new organizational structure and the programme of work will be completed for the biennium 2000-2001. However, the programme of work for 1999 will be implemented as approved by the Governing Council at its nineteenth session with the new organizational structure. To reduce the top-heaviness of UNEP, the new Executive Director has downgraded the posts of Regional Directors from D-2 to D-1.
Paragraph 143 The work of the numerous committees established to provide collective guidance on programmatic and administrative matters should be streamlined, their number reduced and their respective responsibilities well-delineated.	The Management Board comprising senior officials serves as the principal mechanism for evolving and providing collective guidance on programmatic and administrative matters. It meets regularly under the chairmanship of the Executive Director. The number of other functional committees (e.g. the Executive Committee) has been drastically reduced.

Source and brief description of the recommendation	Action taken to implement the recommendation
Paragraph 144 Managerial and administrative reform within UNEP requires a firm hand at the helm. If the Executive Director must travel much of the time, there has to be a second in command in charge at UNEP headquarters, with the authority and determination to put changes into effect.	The Executive Director has delegated full authority to the Deputy Executive Director to take necessary decisions when the former is out of Nairobi. Additionally, the Deputy Executive Director has been designated Reform Coordinator.
Paragraph 145 UNEP may wish to have an independent evaluation office with a reporting relationship and status vis-à-vis its Governing Council that is analogous to that of the Office of Internal Oversight Services to the General Assembly.	With the introduction of the new organizational structure, the Evaluation and Oversight Unit reports directly to the Executive Director. The Evaluation and Oversight Unit submits an annual UNEP Evaluation Report to members of the Governing Council.
Paragraph 146 Evaluation resources are very scarce and should be used for strategic purposes, meeting accountability needs while clarifying relevant issues.	The Evaluation and Oversight Unit prepares an annual UNEP Evaluation Report. Managers will continue to be requested to prepare implementation plans to ensure follow-up of evaluation recommendations contained in this report. The Evaluation and Oversight Unit reviews these plans every six months and draws to the attention of the Management Board for necessary corrective action. For the first time, a management response was prepared to the 1996 Annual Evaluation Report, and the Management has committed itself to implementing the recommendations therein thus bringing the commitment to the policy level. The Management Board reviews systematically all evaluation recommendations to assess the necessity of any structural or systemic change. The management response to the 1997 Annual Evaluation Report will be distributed to the Governing Council at its twentieth session as an information document.

Source and brief description of the recommendation	Action taken to implement the recommendation
	As a test case, an ex-post facto environmental impact evaluation of the long-standing Mediterranean Action Plan has been undertaken to provide evidence of the impact on the environment of a UNEP programme. This report was sent to the Office of Internal Oversight Services (OIOS) in connection with the update to the triennial review on 21 January 1998.
Paragraph 147 UNEP should review its practice of turning all activities into projects.	Discusssions with the United Nations Controller have led to the identification of an expert who assisted the secretariat in developing new approaches to programme implementation. The extent to which a new approach can be implemented for internal programme implementation is dependent upon the outcome of the ongoing reforms and the compatibility of these new approaches with the rules and regulations governing the Fund of UNEP.
Paragraph 148 The position of UNEP in the Global Environment Facility (GEF) appears minimal and therefore, as part of the 1997 review by the General Assembly of follow-up to the United Nations Conference on Environment and Development, UNEP should urge consideration of a revised relationship among the implementing agencies of GEF.	As a result of the OIOS recommendation, the Executive Director presented the new profile of UNEP in GEF at the first meeting of the GEF Assembly, held in New Delhi in April 1998. The new profile was endorsed by decision SS.V/6, adopted on 22 May 1998 by the Governing Council at its fifth special session, which also welcomed the progress made by the Executive Director in strengthening the role of UNEP in GEF. The Council also requested UNEP to play a leading role in the GEF cross-cutting area of land degradation. To strengthen inter-agency collaboration, a Memorandum of Understanding between UNEP and UNDP on joint collaboration in the cross-cutting area of land degradation was signed in November 1998. At its third meeting, held in Buenos Aires on 10 November 1998, the High-level Committee of Ministers and Officials welcomed also the progress made by UNEP in GEF, as evidenced by the increase of its cumulative work programme from $21 million during the pilot phase to $125.7 million

Source and brief description of the recommendation	Action taken to implement the recommendation
	as of 1 November 1998 corresponding to more than 136 activities. The Ministers requested the Executive Director to present to the Governing Council at its twenthieth session a draft action plan on complementarity and additionality of UNEP's core activities with its GEF interventions aimed at further clarifying the role of UNEP in GEF.
Paragraph 149 The issue of the Mercure telecommunications facility should be resolved as a matter of urgency. UNEP and the United Nations Secretariat should resolve any outstanding issues of compatibility between the United Nations and UNEP systems and make recommendations to the parties and legislative bodies concerned as to the steps to be taken if the system cannot be put into full and cost-effective operation in the near future.	With the signing of an agreement between the Government of Kenya and UNEP in April 1998, operational data services were implemented over the Mercure system in Nairobi. Fourteen other Mercure sites were rendered operational by June 1998. Services at UNEP headquarters include all e-mail, computer-file transmission and interactive Internet services, such as high-speed access to the World Wide Web. Facsimile and video-conferencing links are also under test and are coming into operation in 1999. The Government of Kenya also agreed in May 1998 to negotiate with UNEP the issue of expanding Mercure services to include voice telephone and access to the Mercure system by all United Nations agencies in Nairobi. These negotiations will continue in the first quarter of 1999 when it is anticipated agreement will be reached between the parties. The "incompatibility question" did exist when the United Nations was conceiving the "United Nations Backbone System" and when Mercure was to be set up with a European proprietary system (DAMA). Under this system, satellite telecommunications links would be activated only upon demand by earth stations and could be a barrier for telecommunications that require a permanent communication link such as telephony services. The United Nations Information Technology Services Division and UNEP proposed that the International Telecommunication Union (ITU) should conduct a study to examine the costs, benefits and application efficiencies of Mercure related to the environment programme activities during the fourth quarter of 1997. ITU was, however, unable to do so. When ITU was finally in a position to programme the study in 1998, the funding from the Information Technology Services Division set aside for this purpose

Source and brief description of the recommendation	Action taken to implement the recommendation
	was not available any longer. In March 1998, supplementary discussions on the compatibility of the United Nations global telecommunications system and Mercure were held on between Under-Secretary-General Connor, Under-Secretary-General Topfer and representatives of the Information Technology Services Division in New York. The meeting concluded that it was no longer necessary to conduct an independent study at a cost of approximately US$100,000 since compatibility for data traffic had already been achieved. Also, expertise sufficient to achieve compatibility for remaining services such as voice were available with UN-ITSD and at UNEP. An internal cost benefit study of Mercure operations will be available to the 20th Session in line with the recommendations of the 19th Session of the Governing Council. The report will cover the other issues planned for inclusion in the proposed ITU Study.
Paragraph 150 In considering its coordinating responsibilities, UNEP should indicate to its stakeholders the need to consider harmonizing the organization's mandates, resources and capacities.	The Nairobi Declaration adopted at the nineteenth session of the Governing Council was presented to the Commission on Sustainable Development. Governments represented at the fifth session of the Commission recognized the role of UNEP and its Governing Council as the principal United Nations body in the field of the environment. UNEP's focus is on the integrative concept of sustainable development. Consequently, UNEP provides the environmental perspective in the work on sustainable development of the Department for Policy Coordination and Sustainable Development (DPCSD). Other organizations provide the economic and social dimensions. In its decision 19/9 B, the Governing Council welcomed UNEP's efforts to develop the system-wide strategy and requested the Executive Director to undertake further development through the Inter-Agency Environment Coordination Group following the conclusion of the special session of the General Assembly and to finalize the strategy by the twentieth session of the Governing Council.

Source and brief description of the recommendation	Action taken to implement the recommendation
	UNEP will continue to bring discipline to these relationships through the development of specific Memoranda of Understanding, with, for example, the United Nations Children's Fund and the WTO. UNEP will also continue to forge strategic alliances with organizations through, inter alia, its Environmental Citizenship Programme and through its Division of Technology, Industry and Economics. A report of the Task Force on Environment and Human Settlements, chaired by the Executive Director of UNEP, was submitted to the Secretary-General for submission to the General Assembly at its fifty-third session. This report has important recommendations with regard to UNEP's responsibilities and coordinating role.
Paragraph 151 The dispersal of financial authorization should be reviewed to ensure financial coherence. Clear guidelines on disbursements for consultants and advisers and on the establishment of posts should be developed.	UNEP will continue to adopt a human-resources-management strategy that attracts the best talent which will mean a mix of both internal and external resources. The consultants will be used in accordance with the instructions recently issued by United Nations Headquarters.
Paragraph 152 Compliance with the recommendations of the Board of Auditors is necessary and should be given the priority it deserves.	UNEP has been successful in the implementation of the recommendations by the Board of Auditors for the biennium 1994-1995. A separate document on the status of the implementation of these recommendations is being submitted to the Governing Council at its twentieth session (see annex III below). A status report as at 31 October 1998 has been sent to the auditors.
Paragraph 153 The work of the appointment and promotion machinery and its membership should be revisited. Two committees, one for Professional staff and the other for General	UNEP continues adhering to United Nations procedures. In addition to two promotion bodies mentioned previously we also have an Appointment and Promotion Committee dealing with professional level posts funded from the United Nations regular budget.

Source and brief description of the recommendation	Action taken to implement the recommendation
Service staff, would be a step in the direction of reducing the cumbersome process.	The new membership for the Appointment and Promotion Board (for professional staff members with appointments limited to UNEP, UNON and UNCHS (Habitat). An Appointment and Promotion Panel (APP) (for General Service staff members in UNEP, UNON and UNCHS (Habitat)) and a local Appointment and Promotion Committee (for Professional posts up to P-5 level funded by the United Nations regular budget) were established effective 1 October 1998. In addition, APB and APP have started to perform the new mandate of reviewing special-post-allowance (SPA) and superannuation cases, as approved by the Director-General in May 1998.
Paragraph 154 The consultative process between staff and senior management should be established on a sound basis, with a view to ensuring a spirit of genuine cooperation and mutual respect.	The Joint Advisory Committee (JAC) was established in accordance with SGB/176/Rev.2 of April 1991 and the staff rule ST 108.2 to discuss personnel policies and general questions concerning staff welfare. The Staff Association will continue to have meetings with the Executive Director quarterly and with the Deputy Executive Director once a month. In addition, the Chief of UNON meets with the Staff Association on a regular basis.
Paragraph 155 A determined effort should be made to put the United Nations Office at Nairobi on the right track. This should include appropriate delegation of authority, enhancement of the capacity of the staff through training and the provision of a stable resource base to ensure the continuous presence of an institutional critical mass. A first step in that direction would be for Headquarters to provide urgent assistance by assigning to Nairobi for one month a senior administrator with proven experience in the establishment and functioning of United Nations common services outputs.	The new Executive Director/Director-General UNON, has delegated to UNON Administration, all administrative responsibilities in support of the Environment Programme effective 1 July 1998. Existing operating procedures and reporting lines and interaction between substantive and administrative units is under review and will be finalised in the last quarter of 1998. A submission was made by the Executive Director/Director-General of UNON to the Secretary-General requesting an increase of regular budget allocations to UNON. Report of the Secretary-General on the budget outline for 2000-2001 contains an indication that more resources will be allocated to strengthen UNON.

Annex II

STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ)

The recommendations have been taken from the observations of ACABQ on the Environment Fund proposals: revised proposals for 1996-1997 and proposals for 1998-1999, submitted to the Governing Council at its nineteenth session (UNEP/GC.19/L.1, annex), to which the paragraph numbers refer, and are broadly grouped by subject.

Para. No.	Recommendation	Status of implementation
2/10/21	The revised estimates for 1996-1997 were prepared without final details on contributions or expenditures for the first year of the biennium 1996-1997. Moreover, assumptions were made for 1998-1999 on salary costs, inflation, vacancy rates and currency fluctuations more than a year ahead of implementation of the budget when conditions may change considerably. The Advisory Committee, therefore, invites the Governing Council to request the Executive Director of UNEP to report in the autumn of 1997 on any significant changes that may impact on the management and support costs budget and the programme itself so that the Committee may report back to the Governing Council in this regard. Bearing in mind the comments and observations made above, the Advisory Committee recommends the Executive Director submit additional information on any such changes that may impact on the management and support costs budget and the programme itself thus leading to adjustments in the level of resources required for the biennium 1998-1999 in the fall of 1997.	UNEP revised the 1996-1997 and 1998-1999 budget estimates and presented the revised figures to ACABQ in the New York autumn of 1997. The revision of the 1996-1997 budget was completed. This revision of the 1998-1999 MASC budget is a considerably larger and more complex exercise than that anticipated by the ACABQ, given the Governing Council decision 19/22, by which the Council decided to reduce the 1998-1999 MASC budget to $27.5 million but did not address any of the costed components of the proposed budget presented by the secretariat. The recommendation has been implemented

Para. No.	Recommendation	Status of implementation
6/7	The assessment of resource availability should be further refined in order to provide a more secure base for planning, instead of resorting to reprogramming in response to fluctuations in the provision of resources. The Committee strongly believes that there is a need to look at the long-term stability of the Fund and to explore different options or other sources of funding such as those which could be provided by non-governmental organizations or the private sector. On 30 October 1997, the Committee reiterated that the issue of overall resources of UNEP continued to be of very serious concern. The Advisory Committee reaffirmed its belief that the level of resources to be made available to UNEP should be clearly defined in advance and in consultation with Member States, so as to provide a more secure and reliable base for planning and management of resources, instead of the current practice of resorting to ad hoc reprogramming in response to fluctuations in the provision of resources.	UNEP has, and will, persistently, call upon Member States to make pledges and contributions well ahead of the time in which resources are required, one recent example being the presentation at the nineteenth session of the Governing Council of an information document (UNEP/GC.19/Inf.10) entitled "Ensuring adequate and predictable financing of the United Nations Environment Programme: a challenge to Governments". The secretariat has brought the matter of broadening the base of contributions to the Environment Fund to the attention of the Governing Council several times. In its decisions 17/32 of 21 May 1993 and 18/41 of 26 May 1995 the Council recognized the need to broaden the base of contributions to the Environment Fund. In decision 17/39 of 21 May 1993, the Governing Council expressed its appreciation to Governments, intergovernmental and non-governmental organizations and other institutions that have made counterpart contributions, often upon the request of the Executive Director. UNEP has already recognized the need to tap more aggressively into the funding from non-governmental organizations and the private sector in order to supplement its capacity to implement its programme from the increasingly dwindling Environment Fund contributions. To this end, the Governing Council at its nineteenth session approved a revision of the rules governing the receipt of non-governmental contributions to the Environment Fund. In July 1995, in response to a request by its Governing Council, UNEP established from within

Para. No.	Recommendation	Status of implementation
		existing resources, a small Resource Mobilization Unit, one of whose principal functions is, as provided for in this recommendation, to explore different options or other sources of funding. For the first time in UNEP's history, a formal pledging session was held during the nineteenth session of the Governing Council, on 6 February 1997. Forty-five Member States pledged a total of $41,748,619 for 1997. Thirty-eight States, mostly developing countries, pledged for the first time or after a period of non-contribution. In 1997, UNEP succeeded in attracting contributions to the Environment Fund from an increased number of Member States, thereby broadening its donor base by approximately 40 per cent. However, total contributions to the Environment Fund for 1997 fell as a result of reduced contributions by a small number of the more substantial contributors. (Between 1994 and 1996, the United States of America reduced from $21m to $7m; Japan from $9.13m to $5m; and France from $2m to nil.) A draft paper proposing options for adequate and predictable funding for UNEP, as an alternative to the present voluntary contributions to the Environment Fund, is in the course of preparation for consideration by the High Level Committee of Ministers and Officials and the Governing Council.
7/8	The rigorous review undertaken of administration and management of the Environment Fund and Trust Fund activities should continue in order to reduce support expenditures and ensure that resources available are used to fund programmes. The Committee invites UNEP to get involved in the exercise on budget harmonization currently under way by the	UNEP has been working on a revised budget format along the lines of the United Nations harmonized budget model. To that effect, the expert recommended by the United Nations Secretariat, Mr. J. Miller of UNDCP, came to Nairobi in June 1997 and made recommendations on how best to align the UNEP budget format with the harmonized model. The final decision on the format will depend on the guidelines to be

Para. No.	Recommendation	Status of implementation
	United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF) with regard to the harmonization of budgets	promulgated by the Programme Planning and Budget Division at United Nations Headquarters which will reflect the outcome of the ongoing discussion on result-based budgeting.
11	The Advisory Committee notes that all United Nations Office at Nairobi (UNON) administrative posts have been deleted from the staffing table but provision is included in the 1998-1999 budget proposals for the financing of these 83 posts. The Committee believes that for the sake of clarity the amount related to it, of $5,335,600, should be reflected under "other staff costs", which include an amount of $626,000 for general temporary assistance for the cost of two Professional and two General-Service staff members for a year, as well as the MASC conference-services requirements.	The correction suggested by ACABQ was circulated to the Governing Council as document UNEP/GC.19/22/Corr.1. The recommendation has been implemented
12	The Committee notes, however, that it is anticipated that it may be possible, during this biennium, to draw up an agreed scale of charges for administrative services provided by UNON to UNEP, which would make it possible to restructure the cost of UNON to the MASC budget - as indicated in paragraph 17 of part two of the Executive Director's report. The Committee invites the Executive Director to provide information in this regard, as well as in regard to the status of posts moved to UNON.	UNEP, the United Nations Centre for Human Settlements (UNCHS) (Habitat) and UNON reached an agreement on cost-sharing for 1998. A more permanent cost-sharing formula is still being worked on.
13/14	The Committee believes that there is a need for greater transparency in the programming, administration and management of trust funds. The Governing Council should	The first of these recommendations should be satisfied with the implementation of the new "harmonized budget" presentation. The new budget format will clearly show the totality of resources

Para. No.	Recommendation	Status of implementation
	clarify the role of the Executive Director as well as the role of the Council itself in the administration and programming of trust-fund activities. Furthermore, it is not clear at present what the true cost for administering and managing trust funds are for UNEP. The Committee believes there is a need to identify full administrative and management costs incurred by the funds and the UNEP secretariat. The Advisory Committee recommends, however, that a more comprehensive report on trust funds be presented to the Governing Council - either in conjunction with the report mentioned in paragraph 13 above or a separate one - including a full description of the programmes or activities undertaken as well as the infrastructure required to manage and administer those trust funds.	available to the environment programme and their use. It will also clearly show the organization's support budgets, combining the MASC presentation with the trust-fund support budget and information on the regular budget contribution. The roles of the secretariat, the Executive Director and the Governing Council with regard to the administration and programming of the growing resources of trust funds and counterpart contributions have remained unchanged from those indicated in the United Nations and UNEP financial rules and regulations. The Executive Director has created a Division for Environmental Conventions in order to ensure streamlined management procedures and better co-ordination in programmatic issues. As mentioned above, UNEP is carrying out a thorough analysis of the costs UNEP and UNON incur in the administration and management of trust funds and counterpart contributions. The findings will be presented in full to the Governing Council at its twentieth session and will be a critical input to its streamlining of UNEP's administration and management of trust funds.
16	The Committee recommends that any savings from the implementation of MASC for 1996-1997, as well as any savings realized from the liquidation of obligations for the biennium 1994-1995, be allocated to the financial reserve. In addition to this, the Executive Director should be requested to suggest other sources with the aim of increasing the reserve gradually from $5.6 million to $10 million as a first step.	The recommendation has been implemented: the financial reserve stood at $10 million as at 31 December 1997.

Para. No.	Recommendation	Status of implementation
17/18	The Advisory Committee had been informed during its previous hearings that the investment required to develop and implement the Mercure system called for donations estimated at $12 million. Paragraph 3 of the report of the Executive Director now indicates an amount of $16 million for this purpose. The Committee is still not clear on the long term requirement for the maintenance and operation of the system or role of the donor countries. The relationship between this system and the UN telecommunications system is still confusing. In this regard, the Committee notes with concern that UNEP is incurring more expenses than would have been the case had it used the transponder capacity tied in with the UN system, as it intends to do only after 1 October 1997. Likewise, it also notes with concern that UNEP is already incurring expenses even before the Nairobi station becomes operation (see paragraphs 21-22 of the Executive Director's report on the satellite system, document UNEP/GC/19/21). The Committee understands that operation of 18 earth stations is envisaged and that future development or expansion of the system is unclear, depending on the availability of extra-budgetary funds. On 30 October 1997, the Committee stated that, with regards to the Mercure project, it remained concerned at the lack of clarity regarding total resources invested in the system, its structure, maintenance and operating costs and future	The value of the capital investment in Mercure is a figure provided by the European Space Agency (ESA) and the Mercure Board, referring to funds which are not " donated" directly to UNEP but reflect the value of contributions made to ESA by the donor countries. UNEP was initially given a figure of $12 million but this figure has now been revised to $16 million. UNEP is simply reporting the information provided by ESA. 1. Long-term requirements for maintenance and operation of the system. The UNEP/ESA agreement stipulates that UNEP operate and maintain the system for a period of five years. This includes a two-year warranty on components from the date of handover of operations. At its eighteenth session, the Governing Council requested that a cost-benefit analysis be performed after sufficient experience in operation of Mercure has been attained, the results of which would be used as a basis for further decisions. In response to that request, an initial cost-benefit analysis has been conducted, and the results included in the report of the Executive Director to the Governing Council at its twentieth session. Donor responsibility for funding the development and implementation of Mercure concluded with handover of the operational system in April 1997. Funds for operation and maintenance for 1998-1999 are included in the $2.8m programme budget to be co-funded with additional contributions from donors. Donor countries are requesting a continuing response from UNEP regarding utilization effectiveness during the five-year period of operation. Negotiations with industry vendors commenced in July 1998, and contract become effective in

Para. No.	Recommendation	Status of implementation
	viability of the system. The Committee noted that the issue of the connectivity of the Mercure system with the United Nations communications network remained to be addressed. The Committee, however, stated its intention to present its further views on the subject once it had reviewed the report requested from the Board of Auditors in this regard.	April 1999, at the end of the extended Mercure warranty period. 2. Relationship to the telecommunications system of the United Nations Information Technology Services Division (ITSD). UNEP continues to seek non-duplicative, cost-effective services through integration with ITSD systems. The letter from Mr. J. Connor, Under-Secretary-General for Management to Ms. E. Dowdeswell, then Executive Director of UNEP, further encourages integration. The UNEP Division for Environmental Information and Assessment (DEIA) subsequently agreed on an independent review by the International Telecommunication Union (ITU) of the possibilities for integration of the United Nations global telecommunications system and Mercure. The study, which was to examine costs, benefits and application efficiencies of Environment Programme activities, was programmed for the fourth quarter of 1997. Funding set aside by ITSD for this purpose was subsequently unavailable in 1998 after ITU could not programme the study in 1997. In March 1998, supplementary discussions on the subject between the Mr. Töpfer and J. Connor and representatives of ITSD concluded that full compatibility for data traffic had been achieved between the United Nations global system and Mercure. The meeting also concluded that compatibility for voice services would require an investment of between $100,000 and $200,000. A design concept developed by the PTT of Switzerland for modification to add voice is the basis for a cost analysis which indicates savings of approximately $1.2 million annually for international voice

Para. No.	Recommendation	Status of implementation
		traffic from United Nations offices in Nairobi. In order to facilitate future integration and to minimize cost, UNEP requested allocation of satellite transponders leased by ITSD, as a result of which an Indian Ocean service has been provided as part of the ITSD allocation at favourable cost. The Atlantic Ocean service is currently fully utilized by ITSD and so necessitated a commercial lease alternative through ITSD to Intelsat. Despite earlier assurances from the ITSD that UNEP would be able to access lower-cost Intelsat capacity, it has not proven to be the case to date. 3. Costs related to Nairobi station. The schedule agreed with ESA for initial Mercure service specified 1 April 1996 as the start-up date for operations. UNEP was therefore required to acquire satellite capacity by that date. Satellite resources are limited in availability and require long-term commitment to secure. At the eighteenth session of the Governing Council, and during follow-up negotiations, the Government of Kenya indicated its willingness to support Mercure implementation in Kenya. Subsequent delays due to lack of approval by the Kenyan authorities created a situation of a satellite lease without usage. Negotiations between UNEP and the Government of Kenya for authorization of all data services were completed in the second quarter of 1998. 4. Future expansion of earth stations globally. Current satellite capacity and an operations support contract provide significant opportunity to serve additional stations without recourse to additional operations costs. Demand for additional sites has been

Para. No.	Recommendation	Status of implementation
		indicated by the United Nations Development Programme (UNDP), other United Nations organizations, and for environment agencies through other sources of funds (World Bank, Asian Development Bank, bilateral assistance, etc.). Subsequent to initial implementation, UNEP is to demonstrate cost-effectiveness and quality of service.
20	Paragraph 23 of the Executive Director's report on Mercure (UNEP/GC.19/21) recalls the recommendation made both in paragraph 5 of the report of the Advisory Committee of 12 May 1995, and paragraph 8 of the Governing Council's decision 18/47. However, it also indicates the conclusion of UNEP that Mercure constitutes an environmental programme. During its consideration of the report, the Committee was told that the $1.4 million, mentioned above, cover the costs for the operation, maintenance, training of related personnel, and monitoring the performance of the Mercure infrastructure in support of implementation of UNEP programmes to ensure access and exchange of environmental data world-wide. The Advisory Committee reiterates that costs for the implementation, management and maintenance of the system should be covered and presented under MASC budget rather than the programme budget. (Please see above the remodified recommendation of the ACABQ.)	The present functionality of UNEPnet/Mercure is predominantly for electronic delivery of and access to environmental information products. UNEPnet/Mercure is a global operation serving ministries of environment in participating countries. Broader-based United Nations services are under consideration for the administrative needs of UNEP/UNON but remain under negotiation with the Government of Kenya. Negotiations for voice services and access by all United Nations agencies in Nairobi commence in July 1998. A total of $700,000 per annum towards the implementation of UNEPnet/Mercure was committed by the Government of Norway through a trust fund established in December 1998 for a total of five years.

Annex III

STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS BY THE BOARD OF AUDITORS

The recommendations have been t ten from the report of the Board of Auditors to the General Assembly on the accounts of the United Nations Environment Programme for the biennium 1994-1995 (A/51/5/Add.6). They are organized by subject-category with reference to relevant paragraph or paragraphs of the report. An indication is also given if the secretariat believes that action on implementation has been finalized.

1 PROGRAMME MANAGEMENT	Para No	Recommendation	Status of implementation
Defining the role of UNEP in programme management Role of field offices in programme formulation	11 (a)	1. The policy framework for interaction with non-governmental organizations involved in the field of environment should be further expedited. 2. The catalytic role of UNEP and the role of field offices in programme planning, project formulation and implementation should be clearly defined.	A policy statement on the subject of "United Nations Environment Programme policy on NGOs and other major groups" was issued on 30 October 1996 (UNEP/PS/1996/5) following consultation process with selected NGOs and within the secretariat. The statement serves as internal guidelines for collaborating with NGOs and other organizations of civil society as well a s other stakeholders. The new organizational structure at UNEP after the nineteenth session of the Governing Council gives more visibility to NGO/civil society liaison.. **No further action required.**

2 PROJECT MANAGEMENT	Para No	Recommendation	Status of implementation
Macro-level review of programme planning	11 (b)	The merits and demerits of the present system of top-down planning and its impact on project implementation should be reviewed to see whether a more composite and timely process should be evolved in its place.	For the preparation of the 1998-1999 programme of work, a programming team was established in which all division heads were represented. The team met under the chairmanship of the Deputy Executive Director and the programming exercise was undertaken as an intensive consultative process. **Ongoing process.**

2 PROJECT MANAGEMENT	Para No	Recommendation	Status of implementation
Project planning and formulation	11 (c)	Planning and budgeting processes should be integrated by obtaining all necessary approvals for programmes and projects in accordance with a time schedule. Project implementation should be coordinated in such a way as to avoid an uneven flow of expenditures.	UNEP has established a Project Approval Group (PAG) to review and approve projects and in general to better co-ordinate projects. No major uneven flow of expenditures was experienced. However, this is subject to possible fluctuations in the funding and the timely payment of pledges. **No further action required.**
Project implementation: budgetary control	11 (d)	A budgetary control mechanism should be put in place to avoid excess expenditures over allotments and late recording of expenditures.	Every effort is being made to ensure that project revisions are kept to a minimum. As a result the number of revisions has been reduced. Efforts are continuing. **On-going process. No specific further action required.**

2 PROJECT MANAGEMENT	Para No	Recommendation	Status of implementation
Delays in terminating completed projects	11 (e)	UNEP should take measures to obtain the required documents to enable closure of all completed projects.	Action has been taken to solicit from executing agencies all outstanding project reports and to effect timely closure of projects. Further cash advances for ongoing projects are being withheld pending submission on outstanding reports. 100 projects were closed in 1996 and 163 as at 31 December 1997. We are continuing the efforts. **Ongoing process. No specific further action required.**

3 FINANCIAL MANAGEMENT	Para No	Recommendation	Status of implementation
Budgetary assumptions	11 (g)	Budgetary assumptions should be modified to adopt an averaging method of estimating exchange rates and location-specific vacancy rates. UNEP should also prepare more realistic estimations of voluntary contributions.	MASC budgetary assumptions have been modified in line with these recommendations. The revised 1996-1997 and proposed 1998-1999 budgets reflected these modifications. **No further action required.**
Audit certificates	11 (f)	Efforts should be continued to ensure that all executing agencies provide audited expenditure statements and audit certificates in respect of monies released from the Environment Fund soon after the financial period is over.	The UNEP Manual on Project Design, Approval and Evaluation sets out the conditions relating to the submission of audit certificates. UNEP has put in place the necessary measures in order to ensure the timely submission of the audited expenditure statements, i.e.,UNEP will withhold future cash advances from those organizations who have not provided the audit certificates and will not enter into new contractual arrangements with supporting organizations who have not provided necessary audit documents. **Ongoing process.**

4 PUBLICATIONS	Para No	Recommendation	Status of implementation
Planning of publishing and printing	11 (k)	More comprehensive annual publishing programmes should be established in concert with all programme managers. Guidelines should be issued, including the requirement of prior approval by the Editorial Committee, to prevent unplanned external printing of publications..	An Executive Directive on the Publications and Information Board was issued on 8 January 1997 (UNEP/ED/1997/03). More efficient planning is now provided through the Board, which will work closely with the Programme Coordination Committee. The 1996-1997 publishing programme was approved earlier. A new publishing programme was prepared and approved by PIB in March 1998 and sent to the Publications Board in New York. **No further action required.** Guidelines were issued on 20 August 1' 96 to the effect that all requests for printing publications will be submitted first to the UNON Documents Reproduction and Distribution Unit for review to see if the work can be done in-house before contacts for outside quotations are made. Printing of publications under a co-publishing programme are an exception. **No further action required.**

4 PUBLICATIONS	Para No	Recommendation	Status of implementation
			The UNEP Publications Manual sets the requirement that all publications need an approval from the Editorial Committee. Thus separate guidelines are not needed in this effect. **No further action required.** The UNEP Publications Manual has been approved by PIB with new chapters on electronic publishing. The manual was printed in July 1998. **No further action required.**

5 PROCUREMENT	Para No	Recommendation	Status of implementation
Purchase plan	11 (h) and 71	The practice of placing piecemeal purchase orders for commonly used commodities should be avoided. For this purpose, UNEP must ensure that each substantive unit prepares a purchase plan based on need, which collectively should form UNEP's annual procurement plan.	UNEP now submits a procurement plan on an annual basis to UNON. UNON orders and stores one years supply of furniture, stationary and other office supplies. Other supplies, e.g., cartridges, with expiry dates are ordered for half a year at a time. UNON feels that it is not always feasible to obtain procurement plans from projects due to differences in approval dates, funding, varying/changing implementation schedule, priorities, location. UNON has also replaced all copiers with leased photocopiers. **No further action required.**
Observance of financial rules on contracts and purchases	11 (i)	The established rules and procedures on procurement, including those relating to competitive bidding, should be enforced more rigorously.	The recommendation is being implemented. **Ongoing process. No specific further action required.**
Delays in delivery of goods	11 (j)	Deliveries of supplies by vendors should be monitored against stipulated time schedules and a vendor performance system should be established early. Inclusion of a penalty clause in purchase orders, at least on a selective basis, should be considered.	Deliveries of supplies by vendors are being monitored and a performance evaluation system has been established. A liquidated damages clause instead of a penalty clause is being included in purchase orders where the timeliness of supplies is crucial. **No further action required.**

6 CONFERENCE SERVICES	Para No	Recommendation	Status of implementation
	11 (m)	The possibility of renting out the available surplus capacity of the conference facilities should be considered.	The contract with Point of View Ltd. (POV) was entered into on a trial basis for a period of one year to promote and sell conference facilities, including supplemental services, to delegates and participants. However, the contract was not renewed as POV was unable to deliver as agreed. Currently, ways are being explored to achieve the original objectives by splitting the contract into parts and inviting bids from prospective companies with an objective to achieve better terms and conditions for UNON.

7 HUMAN RESOURCES MANAGEMENT	Para No	Recommendation	Status of implementation
Consultants and experts	11 (l)	Appointment of consultants should be regulated in line with the established policies; the roster of consultants should be reviewed and updated periodically. Selection of consultants should be made after considering alternate candidates by widening the search for prospective candidates. Guidelines should be established for determining consultants fees.	UNEP issued revised guidelines for recruitment of consultants on 5 March 1995 to ensure that consultancies are awarded on the basis of established need, expertise and value for money. UNEP will also make every effort to select consultants from the full range of countries including developing countries and countries with economies in transition, taking due consideration of geographical and gender balance. Additionally, following the merging of the administrations of UNCHS (Habitat) and UNEP on 1 January 1996, a comprehensive review was undertaken on the procedure, governing and recruitment of consultants (e.g., fees) to improve the comparative evaluation, while at the same time harmonizing the procedures of UNEP, UNCHS (Habitat) and UNON. A joint working group was set up for the purpose. The proposal from the working group on harmonizing the consultancy procedures was finalized and a circular introducing new guidelines was distributed 27 June 1997 to be effective from 15 July 1997 and to be reviewed after nine months. The roster of candidates has also been updated. The Executive Director has reported on the status of consultancies on a quarterly basis to the Committee of Permanent Representatives. The information that is regularly reported includes details of the purpose of consultancies awarded, length of consultancies, geographical distribution of consultants, amount paid and evaluation of completed consultancies. **No further action required.**